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Financial Aid Deadline Approaching

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Category: Financial Planning

With the increasing cost of college, parents are looking to take advantage of financial aid whenever

possible. A key driver to getting financial aid is the completion of the FAFSA form. The deadline is March 10.

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If you have a high school senior looking forward to entering college this fall or a returning college student, you should be working on the Free Application for Federal Student Aid (FAFSA) form right now. In Indiana, the form is due on March 10. Without this form, your student is less likely to receive financial aid.

Student Financial Aid Package



The financial aid package offered to a student by the college is based on three variables. The first variable is the cost of attending the college. The second is any outside resources such as scholarships that the student has earned. The third is the "Expected Family Contribution" (EFC). The EFC is the amount that a family is expected to pay for college based on their financial situation. With the FAFSA information, the college puts together the student aid package that can include federal and/or state loans, need-based scholarships, and work-study opportunities.

FAFSA Form



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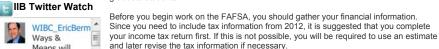
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The Free Application for Federal Student Aid (FAFSA) is completed for any student entering or returning to college. If the student is a dependent, financial information from the parents as well as the student is required. If the student is considered independent, only the student's financial information is reported and, therefore, financial aid is based only on his/her own financial situation. This is most likely to be the case for postgraduate students.



You will need to report the value of the assets you own. This includes cash, checking, savings, and investment accounts as well as any real estate. However, the assets excluded from these totals include: retirement accounts and pension funds, cash value of life insurance, annuities, and the home that you live in. Also, excluded is the value of any family business or family farm as long as certain requirements regarding size are

The FAFSA form also requires information regarding your student's financial situation. Their income and the value of their checking, savings, or investment accounts must be

Calculating "Expected Family Contribution"

Using the information from the FAFSA form, the amount that parents and students are expected to contribute to the cost of college is determined. The greater the amount that is deemed affordable by parents and students, the less financial aid the student will receive

Student Contribution:

-Income Earned: The formula assumes that 50 percent of the student's income above \$6,130 is available for spending on college. For example, if a student earns \$10,130, the formula would calculate \$2,000 as available for school (\$10,130 - \$6,130 = \$4,000 X 50 percent = \$2,000). Looked at from the perspective of financial aid eligibility, this means that the amount of financial aid offered will be reduced by \$2,000.

-Assets Owned: If the student owns an asset, the formula assumes that 20 percent is available for college expenses. Assuming the student's savings and investment account have a value of \$12,000, the financial aid eligibility is reduced by \$2,400 ($$12,000 \times 20$ percent = \$2,400).



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Planning Tip: There is an exception for 529 College Savings Plans. Instead of including 20 percent of the 529 Plan value, only 5.6 percent is included. Therefore, if your student has savings and investment accounts, you may want to move these funds into a student-owned 529 Plan. This should increase the amount of financial aid for which he/she can qualify.

Parent Contribution:

-Income Earned: Depending on the overall amount, the formula assumes that 22 percent to 47 percent of income earned by parents is available for college.

-Assets Owned: The formula will include only 5.6 percent of the value of includable assets owned by parents. This is significantly less than the 20 percent of student-owned asset value.

Multiple Children in College

The FAFSA form does ask the number of children attending college from the family. If more than one, financial aid may be increased. For this reason, if you have been denied financial aid in the past, a different outcome may be received if you now have two college bound students.

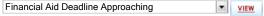
Summary

It is recommended that your student file a FAFSA form each year that he/she attends college. Even if financial aid was not received the first time, any change in the family financial situation or the educational institution can impact the results. For more information and to complete the FAFSA form on-line, go to www.fafsa.gov before the March 10 deadline.

Elaine E. Bedel, CFP, is president of Bedel Financial Consulting, Inc., a wealth management firm providing fee-only financial planning and investment management services for individuals, consulting services for corporate retirement plans, and investment advisory for institutions and endowments. She is the author of "Advice You Never Asked For... But wished you had!" available on Amazon.com. For more information, visit their website at www.BedelFinancial.com or email to ebedel@bedelfinancial.com.



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